

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

NEA-09 IO-10 /109 W

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R 031302Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8386

INFO AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY DUBLIN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L BONN 03476

E.O. 11652: GDS

TAGS: EINV, ENRG, EFIN, GW

SUBJECT: FRG VIEWS ON INWARD OPEC INVESTMENT AND
ARAB BOYCOTT

REF: A. BONN 1924; B. BONN 1198; C. OECD PARIS 4618

1. DURING A CONVERSATION WITH ECONOMICS MINISTRY
STATE SECRETARY ROHWEDDER ON FEBRUARY 28, THE
ECONOMIC/COMMERCIAL MINISTER ASKED ABOUT THE STATUS
OF FRG DELIBERATIONS ON A MECHANISM TO MONITOR AND
CONTROL OPEC INVESTMENT. IN THIS CONNECTION WE
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DREW ATTENTION TO PRESS REPORTS THAT CENTRAL BANK

PRESIDENT KLASSEN HAD STATED THAT THIS QUESTION IS TOO IMPORTANT TO LEAVE TO THE SELF CONTROL OF THE PRIVATE SECTOR.

2. ROHWEDDER DISMISSED KLASSEN'S REMARK AS REFLECTING THE STANDARD CENTRAL BANK LINE. HE SAID THE GOVERNMENT WAS PREPARING A LAW BUT THAT IT HAD NO INTENTION OF SUBMITTING IT TO THE LEGISLATURE IN THE NEAR FUTURE. HE SAID THE PROBLEM WASN'T SO MUCH THE OPEC COUNTRIES BUT RATHER THE GERMAN FAMILIES THAT WERE LOOKING TO MAKE A KILLING. HE STATED THAT THE FRG WANTED TO GIVE THE PRIVATE SECTOR'S VOLUNTARY ARRANGEMENT TIME TO WORK AND HE NOTED THAT IT WAS WORKING VERY WELL NOW. HE SAID THERE HAD BEEN NO RECENT SURPRISES AND HE ADDED THAT THE NEXT BIG SURPRISE WOULD BE THE LAST ONE.

3. ROHWEDDER SAID THAT ONE PROBLEM WHICH NEEDED MORE ATTENTION WAS THE IMPLICATIONS OF THE ARAB BOYCOTT OF SPECIFIC FIRMS FOR GOVERNMENT POLICY ON OPEC INVESTMENT. HE SAID HE WOULD WELCOME ANY INDICATIONS OF US THINKING IN THIS REGARD. ROHWEDDER INDICATED THAT THE FRG MIGHT SOON ISSUE A PUBLIC STATEMENT ON THE ARAB BOYCOTT. IN AN EARLIER CONVERSATION, FOREIGN MINISTRY ECONOMICS DIRECTOR HERMES SAID THAT THE FRG SHARES THE CONCERNS EXPRESSED IN PRESIDENT FORD'S STATEMENT.

4. IN THIS AND EARLIER CONVERSATIONS, ECONOMIC MINISTRY OFFICIALS HAVE EVIDENCED THEIR RELUCTANCE TO GET IN THE BUSINESS OF DIRECTLY REGULATING CAPITAL FLOWS. THEY ARE CONCERNED THAT CONTROLS ON FOREIGN CAPITAL WILL LEAD TO DEMANDS FROM UNION LEADERS FOR CONTROLS ON PRIVATE DOMESTIC CAPITAL IN ORDER TO ATTAIN CERTAIN SOCIAL OBJECTIVES. THEY ARE ALSO CONCERNED THAT ANY GOVERNMENT REGULATIONS TO DEAL WITH THE PRESENT SHORT-TERM PROBLEM MIGHT BE EXTREMELY DIFFICULT TO REMOVE LATER AND MIGHT LEAD TO PERMANENT DISTORTIONS IN THE ECONOMY. THE FRG IS ANXIOUS TO MAINTAIN ITS CURRENT LIBERAL POLICY ON CONFIDENTIAL

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CAPITAL FLOWS ESPECIALLY FROM EC AND OECD COUNTRIES. IT ALSO RECOGNIZES THAT ANY REGULATION CAN BE CIRCUMVENTED. IN THIS LATTER REGARD, OUR ECONOMICS MINISTRY CONTACTS FEEL THAT THE PRIVATE SECTOR IS LESS LIKELY TO EVADE A VOLUNTARY ARRANGEMENT THAN A GOVERNMENTAL DECREE.
HILLENBRAND

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